SECTION IV
Annual Report: IFQ Fee (Cost Recovery) Program

Introduction

Section 304(d)(2)(A) of the Magnuson-Stevens Fishery Conservation and Management Act (MSA), enacted in late 1996, obligates NMFS to recover the "actual costs of managing and enforcing" the IFQ program. The law provides that the fee is to be paid by IFQ fishermen and is to be premised on the ex-vessel value of fish harvested under the program. The fee is not allowed to exceed 3% of the annual ex-vessel value.

Receipts from the collection effort are to be deposited in two separate accounts. Twenty-five percent (25%) of the collections are deposited in the U.S. Treasury. They are then available to the Congress for annual appropriations to support the North Pacific (IFQ) Loan Program. The other 75% is deposited in the "Limited Access System Administrative Fund" (LASAF). Funds in that account are available only to the Secretary and must be expended on management and enforcement costs associated with the IFQ program.

Summary of Program Requirements

The program places responsibilities on two categories of participants in the IFQ halibut and sablefish program, which are: a) IFQ Registered Buyers who are acting as shoreside processors; and, b) IFQ permit holders who have landings of halibut or sablefish authorized by their permit. Their respective responsibilities are:

For IFQ Registered Buyers: Registered Buyers acting as shoreside processors must report how many pounds, by species, month, and port, of IFQ halibut and/or sablefish they purchased and how much they paid for the product. Reports are due at RAM by October 15th of each year. The necessary forms and instructions for Registered Buyers are available well in advance by contacting RAM, or can be submitted electronically by using the Internet. Registered Buyer reports are essential for calculating the annual "standard ex-vessel prices" of IFQ fish.

For IFQ permit holders: IFQ permit holders are responsible for fees owed for all landings on their permit(s), regardless of whether their IFQ pounds were derived from their own QS or was "leased" from another QS holder (and regardless of whether the permit holder or hired skippers made the landings).

At the end of each IFQ season, RAM:

1. uses shoreside Registered Buyer data to calculate a set of "standard ex-vessel prices" for IFQ fish landed by species, month, and port or port group;

2. compiles a list of all IFQ landings by species, month, and port or port group;

3. applies the appropriate "standard ex-vessel price" to each landing, resulting in a "standard ex-vessel value" for each landing;

4. sums the total standard ex-vessel values of all landings to derive the "total ex-value" of the IFQ fishery for that year;

5. compiles all costs directly attributable to the IFQ fishery;

6. uses direct program costs and "total ex-vessel value" to calculate the annual fee percentage; and,

7. applies the percentage to the "standard ex-vessel values" to determine the fee owed for each landing; and, sums the fees owed for all landings on all IFQ permits held by each person. The final result is the annual fee owed by each permit holder, based on standard prices and values.

RAM then mails IFQ permit holders a summary that itemizes their landings and shows their calculated fee liability. The fee liability is based on the sum of all payments of monetary worth to fishermen for landings of IFQ fish.

Permit holders must pay their fee liability by no later than January 31 of the year following the calendar year in which landings were made. There are two payment options:

Option One: They may pay the amount billed (i.e., the amount from RAM's calculation of the annual fee owed, based on "standard prices and values"); or,

Option Two: They may pay an amount based in whole or in part on "actual" ex-vessel receipts from the sale of their IFQ halibut or sablefish. If they choose to pay any portion of their fee on the basis of actual receipts, they must be prepared to demonstrate (with those receipts) how much they were paid for those IFQ landings.

Failure to pay on time will result in action by NMFS against the permit holder's Quota Share (QS) holdings, and in additional monetary charges, fines, and/or permit sanctions.

If a permit holder fails to pay by the January 31 payment due date, his/her QS/IFQ will become non-transferable until the fee liability is satisfied. Also, RAM will issue an Initial Administrative Determination (IAD), to which there will be 30 days to respond.
If an account is unpaid for 30 days following the due date, administrative fees, interest, and penalties will start to accrue.

If the account is not paid within the 30 days provided by the IAD, in addition to penalties, interest, and fees, the permit holder's IFQ permit account will be sanctioned and the permit holder will be unable to fish until the fee liability is satisfied. Additional fines may also apply.

After 180 days, if the formal determination is not appealed and the account remains unpaid or underpaid, the matter will be referred for collection.

The 2002 IFQ Cost Recovery Fee Percentage

In a Notice published in the Federal Register (67 FR 76998, December 16, 2002), NMFS announced that the 2002 IFQ fee percentage was set at 2.0%. This is the same percentage that was set for the 2001 IFQ season. Under the IFQ Cost Recovery regulations summarized above, IFQ permit holders who used their permits to record landings of halibut or sablefish during the 2002 IFQ fishery were obligated to pay that percentage of their total ex-vessel receipts from the sale of their halibut or sablefish.

Below, we recap the 2001 payment performance (monies collected during 2002), discuss the basis for the 2002 fee, and summarize payment options for IFQ fishermen.

2001 Payment Performance

At the end of the 2001 season, the fee was established at 2.0% of the ex-vessel value of IFQ halibut and sablefish (this was up 0.2% from the 2000 fee of 1.8%). The fee percentage was premised on a total ex-vessel value calculated at $167,368,175 and total program expenditures of $3,430,357.
In December 2001, bills were sent to 2,430 IFQ permit holders who had recorded landings. Of those, 1,797 had recorded only halibut landings, 101 had recorded only sablefish landings, and 532 had recorded both halibut and sablefish landings.

By the end of Fiscal Year 2002 (September 30, 2002), 2,427 permit holders had paid the fee; only three were referred to the U.S. Treasury Department for collection.

Total fee receipts fell $124,000 below identified expenditures. There were three reasons for this, including:

- the 2001 fee percentage rate was rounded, so total billings were slightly less than total costs;
- some IFQ permit holders paid less than they were billed, choosing to pay based on their "actual" ex-vessel receipts instead of the "standard" ex-vessel values computed by RAM; and,
- post-season administrative adjustments to landings records resulted in minor changes to amounts due.

This was the second year in which the payment rate exceeded 99.9%. The IFQ fleet seems to have accepted the requirement and has been very cooperative.

Calculation of the 2002 Fee

As noted above, the fee for 2002 remained the same as that for 2001: 2.0%. This figure was derived from: 1) the total "ex-vessel" value of the halibut and sablefish fisheries; 2) the total costs of managing and enforcing the IFQ program (as measured by actual expenditures during FY 2001); 3) the balance in the Limited Access System Administrative Fund (last year's overpayment, if any); and, 4) the anticipated nonpayment rate. These are discussed below.

Ex-Vessel Value of the IFQ Fisheries: Because the fee obligation is premised on a percentage of the ex-vessel value of the IFQ fisheries, it has been necessary to calculate those values. We are aware that ex-vessel prices vary from port to port, and with the time of year.

Accordingly, during October, IFQ Registered Buyers that received IFQ halibut or sablefish as shore-side processors submitted information on how much IFQ halibut and sablefish they received and how much they paid to IFQ holders; the information was reported by species, by port, and by month. Once collected, the data were used to derive the mean (average) ex-vessel value for both species, each port, and each month. Following this calculation, the amount of IFQ products delivered to each port, by month, was multiplied by the value. Overall, the calculations show that the total "standard" ex-vessel value of the two fisheries was as follows:

Halibut	$124,381,225
Sablefish	55,895,498
Total	$180,276,723

Management and Enforcement Costs: The other part of the process of determining the fee is calculation of the costs associated with managing and enforcing the IFQ program. Note that these costs are the incremental costs (i.e., those costs that would not have been incurred but for the IFQ program). To ascertain those costs, in early September, RAM calculated its own IFQ-associated costs and solicited like information from the following non-RAM entities:

- NMFS/AKR Sustainable Fisheries Division
- NMFS/AKR Office of Law Enforcement
- North Pacific Fishery Management Council
- International Pacific Halibut Commission

The table below sets out the responses that we received and which were included in the 2002 cost recovery fee calculation.

TABLE IV-A COSTS ASSOCIATED WITH MANAGEMENT AND ENFORCEMENT OF THE IFQ PROGRAM

Cost Category	RAM	Enforcement	Sustainable Fisheries	Halibut Commission	Total
Personnel Costs	869,127	1,193,200	56,022	112,263	2,230,612
Travel	28,464	81,300	0	10,331	120,095
Transportation	982	7,900	0	0	8,882
Printing	30,062	0	0	0	30,062
Contracts/Training	58,785	267,000	0	10,563	336,348
Supplies	10,503	44,700	2,760	2,925	60,888
Equipment	5,560	75,600	0	0	81,160
Rent/Utilities/Overhead	439,242	209,700	6,210	8,886	664,038
Other	0	-21,100	0	2,843	-18,257
TOTAL	1,442,724	1,858,300	64,992	147,811	3,513,827

Notes to table:
- "Personnel Costs" include COLA and all benefits
- "Travel" includes per diem payments
- "Transportation" includes shipment of items (i.e., ATMs)
- "Rent/Utils/O'head" includes actual cost of space and utilities and an appropriate share of common space and services

Calculating the fee percentage is accomplished using the following formula:

[100 x (DPC-AB)/V]/(1-NPR)

This is not as formidable as it may seem. It simply means that the Direct Program Costs (DPC) of management and enforcement, less the amount that was over collected from last year, or the Account Balance (AB), multiplied times 100, is then divided by the fisheries Value (V) and is further divided by the anticipated Payment Rate (calculated by subtracting the Non-Payment Rate from 1, or, as set out in the formula, "1-NPR"). The result (rounded to the nearest 0.1 %) is the fee percentage. Here are the numbers:

TABLE IV-B **DETAIL OF FORMULA USED FOR CALCULATING THE 2002 FEE PERCENTAGE**

Factor	Value	Activity
Cost (DPC):	3,513,827	minus
Overpayment (AB):	0	times 100, and divided by
Fisheries Value (V):	180,276,723	divided by
Payment Rate (1- NPR):	0.9995	equals
	1.950104673	rounded to nearest 0.1% yields
Rate for 2002 IFQ Season: 2.0%		

Paying the Fees

As noted above, RAM prepared statements (bills) for every IFQ permit holder whose permit was used to record IFQ landings during 2002. The statements display the species, date, and IFQ pounds landed and the standard ex-vessel price that applies to each landing. These were then summed and the resulting total was the permit holder's fee liability (i.e., the amount of the "bill" that should be paid). Payments were due by no later than January 31, 2003.

Permit Holder's Options

An IFQ permit holder may simply pay the amount that is billed. Alternatively, if she or he believes that the "standard" ex-vessel value does not accurately reflect her/his actual receipts, she or he may opt to apply the 2.0 % to those actual receipts; if she or he opts to do so, however, she or he must be prepared to show the actual receipts from sales of fish.

Payment Options

Over the last two years, we have enhanced the system to accept payment by a variety of means. These now include:

- Payment on-line with Credit Card
- Payment by telephone with Credit Card
- Payment on-line with Check
- Payment by mail with Check, Money Order, or Credit Card

Use of Funds

Of all the fee payments collected, 25% of the funds are deposited in the U.S. Treasury and are available for Congress to appropriate in support of the North Pacific (IFQ) Loan Program. The other 75% is deposited in the "Limited Access System Administrative Fund" (LASAF) and is available to the Secretary to offset the costs of managing and enforcing the program.

It is instructive to note that the fee is not expected to result in any real increase in budgets or expenditures; it will simply offset funds that would otherwise have been appropriated (with the exception of IPHC expenditures, for which there is no direct appropriation). Therefore, there is no particular budgetary “advantage” to be gained by inflating the management and enforcement costs.

Conclusion

We have been pleased with the level of cooperation we have received from the IFQ fleet and from Registered Buyers. As last year’s participation rate indicates, the vast majority of IFQ fishermen have accepted the program requirements and have paid their fee. We have no reason to expect a lesser level of cooperation for 2003 and future years.